

September 9, 2009

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
Twentieth Street and
Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Docket No. R-1364, Truth in Lending Act, Regulation Z

Dear Ms. Johnson:

We are writing to express our concern that certain provisions of Regulation Z are harming our member businesses by restricting the availability of promotional financing offers on private label credit card accounts provided to our customers. As discussed more fully below, we request that the Board of Governors of the Federal Reserve System ("Board") modify these regulations in such a way that they do not unnecessarily limit either the availability of financing programs consumers desire, or our members' ability to do business. We believe it is possible to do this and still provide sensible consumer protections.

We have arranged for a bank to provide "private label" credit cards that can be used at our member's stores to purchase goods or services. A major feature of these credit accounts is the ability of consumers to obtain promotional financing offers, such as "deferred interest" offers in which a consumer is not charged any interest if a purchase is paid in full during a promotional period. Our members pay a fee to the bank so that their customers can take advantage of these interest free offers. Our experience is that these promotional financing options are very popular because they provide interest free financing for the consumer and are extremely helpful in generating sales for our members.

As you are aware, earlier this year, Congress passed the Credit CARD Act of 2009. Many of the provisions of this statute provide valuable consumer protections. However, the regulations proposed by the Board to implement the statute are going to have the (presumably unintended) effect of severely limiting the ability of consumers to obtain promotional financing transactions, especially where disclosures are required for transactions at the point of sale ("POS").



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Members of Congress and the Board previously have recognized the importance of promotional financing programs. We believe that the following three areas in Regulation Z are in need of change to ensure that this important source of credit continues to be available: (1) POS disclosure of promotional rates on existing accounts; (2) POS disclosures in table formats for new accounts; and (3) minimum promotional periods. Our comments and recommendations are discussed below.

POS Disclosures of Promotional Rates

The first problem with the regulations is that they would require a disclosure at the point of sale, when a consumer uses a credit card to obtain promotional financing, of the conditional interest rate that will apply during a deferred interest period or the actual “go to” rate after a reduced rate promotion expires. Our members simply do not have the operational capability to do this. Consumers in our private label program have many different interest rates on their accounts, which have been disclosed to them at account opening and on monthly statements as required by Regulation Z. There generally is not a requirement to disclose to consumers their interest rate again at the time they use their credit card. We don’t believe that such a requirement should be imposed with respect to promotional offers, where the consumer is receiving a more favorable interest rate offer than if they did not obtain a promotional offer. We further believe that a consumer will be better off if the consumer can obtain lower interest rates than if he or she receives an additional disclosure at the point of sale of information that the consumer already has received.

POS Disclosures in Table Format

The second problem with the Federal Reserve Board revisions to its Regulation Z is that banks would be required to disclose the specific terms of a promotional offer in a “table” or “box” format when the consumer applies for or opens a private label account. The disclosures that consumers currently receive in these circumstances cannot be adopted to reflect all of the different types of promotional offers that are available from time to time. We may offer promotional financing on particular types of goods or services at different times of the year, or vary the length of the promotional period based on business considerations. Banks are willing and able to disclose the terms of a promotional financing transaction to the consumer at the point of sale, but cannot do so in a box or table format tailored for each transaction. The result is that our bank will be required to limit substantially the availability of promotional offers. Again, we believe that consumers are better off getting the benefits of these low interest promotional offers than if they get the details of the offers in a box or table format.

Minimum Promotional Period

A third issue raised under the Credit CARD Act of 2009 is that it imposes a minimum period of six months for certain promotional interest rate offers. This provision presumably was intended to ensure that a consumer with a general-purpose credit card who transfers a balance in response to an introductory rate offer receives the favorable interest rate for at least a minimum period of time. We believe that this limitation should not restrict the ability of banks to offer a deferred interest purchase option that is shorter than six months.

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Our members have offered deferred interest transactions of three or four months, in part because the bank charges less for a shorter “interest free” period, and would like the Board to confirm that they can continue to do so.

In sum, we are extremely concerned about these new federal regulations harming our member businesses specifically and perhaps the economy in general, especially because the requirements that are causing these significant problems can be avoided without meaningfully reducing consumer protection. Moreover, this situation is urgent because some of the requirements went into effect on August 20, 2009, and others will become effective in February or July 2010. We are heading into our important end of year season where promotional financing will be important for generating sales for our members and while we agree that it is imperative that Regulation Z disclosures provide appropriate consumer protections, these should also be applied in a manner that does no harm to the industry.

After you have considered these issues please contact us with any questions, concerns or clarification of our comments and thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy Littlefield", with a stylized flourish at the end.

Roy. Littlefield
Executive Vice President